

Department of Employee Trust Funds
LOCAL HEALTH INSURANCE ADMINISTRATION MANUAL

CHAPTER 7 – COBRA, CONTINUATION and CONVERSION

701	Overview of COBRA, Continuation and Conversion
702	Persons Eligible for Continuation (Qualified Beneficiaries)
703	Employee/Qualified Beneficiary Responsibilities
704	Employer Responsibilities
705	Notice Requirement Illustration Chart
706	Continuation Coverage Information
707	Instructions on Completing the <i>Continuation – Conversion Notice Form (ET-2311)</i>
708	Sample <i>Continuation – Conversion Notice (ET-2311)</i>

701 Overview of COBRA, Continuation and Conversion

Participants and their eligible dependents covered under the Wisconsin Public Employers Group Health Insurance program have options available to them for the continuation of health insurance coverage in the event eligibility for group coverage ends. The following provides an overview of those options:

COBRA

The Federal Consolidated Omnibus Budget Reconciliation Act (COBRA) requires that the Group Health Insurance program offer subscribers (employees) and their covered dependents temporary extension of coverage for a maximum of 36 months following specific events, referred to as “qualifying events,” as described in Subchapter 702. The extension of coverage allows subscribers and their covered dependents to continue receiving benefits identical to those provided to active employees at the group rate.

Continuation

Wisconsin statutes (Wis. Stat. §40.51 (3-4), § 632.897.) allow subscribers and their covered dependents to continue their coverage for up to 18 months following specified events. This right to continue coverage allows subscribers and their covered dependents to receive benefits identical to those provided to active employees at the group rate.

NOTE: Where Federal (COBRA) and State (continuation) law differ, the law most favorable to the participant will apply. When used in this chapter, “continuation” refers to the State or Federal legislation resulting in the most favorable outcome to the participant, unless otherwise specified.

Conversion

Conversion coverage is available to participants who have been covered under the Group Health Insurance program for at least three months upon termination. Participants may elect to convert to individual (non-group) coverage upon the loss of eligibility for group coverage, i.e., when they reach the maximum length of continuation of group coverage or in lieu of continuation coverage. Participants electing conversion coverage do not need to provide evidence of insurability (i.e. be underwritten) but must apply within 30 days after group coverage terminates. The benefits and rates for conversion coverage are different than the benefits and rates for continuation coverage. Employees should contact the health plan with questions regarding conversion.

702 Persons Eligible for Continuation (Qualified Beneficiaries)

When group health insurance coverage would otherwise end because of a life event known as a “qualifying event,” employees and their covered spouse and dependent children become “qualified beneficiaries” and must be offered continuation coverage. (Refer to Subchapter 704 for employer responsibilities.)

- A. Employees must be offered continuation coverage if they lose eligibility because of the following events:
 - 1. Termination of employment (for reasons other than gross misconduct), including retirement. The exception is when an employee retires and submits, to their employer, an *Employer Verification of Health Insurance Coverage* (ET-4814) electing to take an immediate annuity and continue health insurance. (Refer to Chapter 8.)
 - 2. Transfer into non-eligible employment. For example, an employer’s protective category employees are covered under WRS as required by law, but their non-protective employees are not; the WRS covered employees also participate in the Group Health Insurance program. A protective employee transferring to a non-protective position at this employer would lose coverage under the Group Health Insurance program. That qualifying event makes the employee eligible for continuation.
 - 3. Completion of the maximum prepayment periods of 36 months while on a leave of absence or layoff (Refer to Subchapters 309 and 310).
- B. The spouse of an employee with family coverage in the Group Health Insurance program becomes a qualified beneficiary as a result of the following qualifying events:
 - 1. Death of spouse (employee); refer to Chapter 10 on Employee Death.
 - 2. Divorce. Coverage as a dependent spouse continues until the end of the month in which the divorce decree is entered or notification is given,

whichever is later. (Refer to Subchapter 703.)

3. Spouse (employee) loses coverage for reasons listed above in A.
- C. Each eligible dependent child of an employee with family coverage in the Group Health Insurance program becomes a qualified beneficiary as a result of the following qualifying events:
1. Death of parent (employee); refer to Chapter 10 on Employee Death.
 2. Dependent eligibility status ceases under the Group Health Insurance program. (Refer to the chart in Subchapter 705 for examples.)
 3. Parents become divorced resulting in loss of eligibility.
 4. Parent (employee) loses coverage for reasons listed above in A.
- D. An eligible dependent grandchild of an employee with family coverage in the Group Health Insurance program becomes a qualified beneficiary when losing eligibility as a result of the dependent child (grandchild's parent) turning age 18. Coverage for the grandchild terminates at the end of the month in which the dependent child turns 18.
- E. An eligible disabled dependent, over age 19, of an employee with family coverage in the Group Health Insurance program becomes a qualified beneficiary upon loss of disabled status. Coverage terminates at the end of the month it is determined the disabled status ceases.

NOTE: Voluntary cancellation does not create a continuation enrollment opportunity. For example, a voluntary change in coverage from a family plan to a single plan is not a qualifying event and dependents do not have the opportunity to elect continuation. The exception is when the voluntary cancellation is done in anticipation of a divorce, in which case the spouse and dependent children are eligible for continuation coverage when the divorce is final.

703 Employee/Qualified Beneficiary Responsibilities

- A. Employees and/or the qualified beneficiaries (Refer to Subchapter 702) are responsible for informing the employer of a qualifying event in which an employee and/or dependent loses eligibility for coverage under the Group Health Insurance program. Under Federal COBRA law, if the employer is not notified within 60 days of (1) the event that caused the loss of coverage, or (2) the end of the period of coverage, whichever is later, the right to continuation coverage is lost. Under State continuation law, separate requirements may allow notification after the 60-day period in limited divorce circumstances.

In the event of a divorce, if an employee does not advise their employer of their

divorce, coverage for the ex-spouse and any stepchildren continues if the family premium continues to be paid. Once the employer receives notification of the divorce, the ex-spouse and any stepchildren are terminated from coverage effective the end of the month that notification is received. The ex-spouse and any stepchildren must then be given the right to continue coverage even if notice is given beyond 60 days following the divorce. In this situation, employers must check with ETF on the length of continuation coverage that is available.

- B. Qualified beneficiaries are responsible for the following when electing continuation or conversion coverage:
1. Submitting the *Continuation-Conversion Notice* (ET- 2311) and the *Group Health Insurance Application* (ET-2301) to ETF. Both forms (an employee need only submit a *Continuation-Conversion Notice* unless requesting a change in coverage) must be sent to ETF (i.e., postmarked) **no later than 60 days from the termination of their coverage or within 60 days of the date they were notified by their employer, whichever is later**. If qualified beneficiaries do not elect continuation coverage within the 60-day period, their coverage under the Group Health Insurance program will end.
 2. Paying premium to the health plan when billed by the health plan.
 3. Reporting any changes affecting coverage, for example, address change, birth or adoption. If continuation coverage is elected, changes must be reported to ETF; if conversion coverage is elected, changes must be reported to the health plan.

704 Employer Responsibilities

- A. **Within 14 days of being notified of the "qualifying event,"** the employer is responsible for providing the following documents to qualified beneficiaries notifying them of their right to continue group coverage or convert to individual coverage:
1. *Continuation-Conversion Notice* (ET-2311), with the employer sections completed as described in Subchapter 707.
 2. *Group Health Insurance Application* (ET-2301). This form is needed to enroll in continuation or conversion. However the employee does not need to complete the application continuing the coverage already in effect. The employee must still complete and return the *Continuation-Conversion Notice*.

NOTE: Federal COBRA law requires a continuation notice be provided within the 14-day period even when it is determined the qualified beneficiary is not entitled to continuation coverage, for example, notice of the qualifying event was not provided to the employer within the required time period. (Refer to Subchapter 707 for

information on providing notice.)

- B. The employer is responsible for informing qualified beneficiaries of the following:
1. If electing continuation coverage, the completed *Continuation-Conversion Notice and Group Health Insurance Application* forms must be sent to ETF (i.e., postmarked) **no later than 60 days after the date of the notice or 60 days after coverage ends, whichever is later.**
 2. If electing continuation coverage, the health plan will bill the continuant(s) directly.
 3. If electing continuation coverage through a health plan and the continuants are moving or will move to a different county for more than 3 months, they are eligible to transfer to another health plan without restrictions, provided the application is received within 30 days of the move. The application must be returned to the employer if the change would be effective before the termination of coverage paid through the employer; otherwise, the application must be returned to ETF. If the application is not received within 30 days of the move, coverage is limited to the Standard Plan with a 180-day waiting period for pre-existing conditions.
- C. When completing the monthly health insurance reports (refer to Chapter 5), the employer must remove terminated employees from active coverage effective the end of the month through which premiums are paid regardless of whether the employee elects COBRA or not.

705 Notice Requirement Illustration Chart

The following chart illustrates a timetable for providing notices related to continuation coverage for common scenarios:

Event	Occurs	Coverage Continues Until	Employee or Beneficiary Must Notify Employer By	Employer Must Provide Continuation Notice By	To Elect Continuation, Application Must Be Submitted To ETF By
Child turns 19 and is not a full-time student.	3/15/05	12/31/05	3/1/06	14 days after receipt of notice	The later of 60 days after coverage terminates, or 60 days of receipt of notice by employer
Grandchild Eligibility Ends as Child-Parent turns 18	6/10/05	6/30/05	8/29/05	14 days after receipt of notice	The later of 60 days after coverage terminates, or 60 days of receipt of notice by employer
Student Status Terminates for 20-Year Old Dependent	6/2/05	12/31/05	3/1/06	14 days after receipt of notice	The later of 60 days after coverage terminates, or 60 days of receipt of notice by employer

Event	Occurs	Coverage Continues Until	Employee or Beneficiary Must Notify Employer By	Employer Must Provide Continuation Notice By	To Elect Continuation, Application Must Be Submitted To ETF By
Divorce Decree is Entered	4/3/05	4/30/05	6/29/05	14 days after receipt of notice	The later of 60 days after coverage terminates, or 60 days of receipt of notice by employer
Dependent Over Age 19 Loses Disabled Status	8/25/05	8/31/05	10/30/05	14 days after receipt of notice	The later of 60 days after coverage terminates, or 60 days of receipt of notice from employer
Dependent Marries	5/7/05	5/31/05	7/30/05	14 days after receipt of notice	The later of 60 days after coverage terminates, or 60 days of receipt of notice from employer
Employee Terminates Employment	6/16/05	7/31/05	9/29/05	14 days after receipt of notice	The later of 60 days after coverage terminates, or 60 days of receipt of notice by employer

706 Continuation Coverage Information

- A. The benefits under continuation coverage are identical to those provided to active employees.
- B. The health plan chosen must be the one that was in effect at the time of termination of coverage. If the qualified beneficiary does not reside in the same county as the subscriber, the qualified beneficiary may elect a health plan in their county of residence when enrolling in continuation coverage. Participants enrolled on continuation coverage (continuants) are allowed to change health plans during the annual Dual-Choice Enrollment period or upon a residential move out of the county.
- C. Continuation coverage may be in effect for up to 36 months. However, continuation coverage may be terminated early and cannot be reinstated for any of the following reasons:
 1. The premium for continuation coverage is not paid when due.
 2. The subscriber becomes covered under another group health plan that does not restrict coverage for pre-existing conditions, for example, cancer, diabetes, etc. (A subscriber who refuses health insurance offered by another employer will not be affected.)
 3. A spouse is divorced from a covered employee and subsequently remarries and is covered through their new spouse's group health plan.

4. The date the former employer no longer offers group health insurance coverage.

NOTE: If an employer terminates participation in the Group Health Insurance program, coverage for any continuants of that employer group also terminates.

5. Qualified beneficiary voluntarily cancels continuation coverage.
- D. Continuant may elect to convert to individual coverage (conversion) upon reaching the maximum continuation coverage period. Continuant is responsible for knowing when group continuation coverage ends and must contact their health plan directly to make application for conversion coverage within 30 days after group coverage terminates.

707 Instructions on Completing the *Continuation-Conversion Notice* (ET-2311)

The employer must complete the employer portions of the *Continuation-Conversion Notice* before providing it to qualified beneficiaries. The following instructions describe the employer portions of the form:

- A. On the Instructions cover sheet, check the appropriate box indicating whether the qualified beneficiary is eligible to elect continuation coverage. For example, if the employer does not receive notice within 60 days following the termination of coverage for a dependent who married, the dependent is not eligible for continuation coverage.
- B. On the notice, complete the following information:
 1. In the box located in the upper right hand corner, list:
 - Employee Social Security Number
 - Employee Name (Last, First)
 - Employee's Birthdate (MM/DD/CCYY)
 - Group # - The first digit is the number 7, followed by the four-digits preceding the "-000" in your EIN (e.g., **79999**).
 2. Complete the **Applicant/Qualified Beneficiary Information** by listing the address of the qualified beneficiary(ies) using the address indicated on the *Health Insurance Information Change* (ET-2329) that is completed by the employee when deleting a dependent/former spouse when there are other eligible dependents. Deleting the sole dependent or all dependents constitutes a change from family to single coverage. In this case, the employee must complete a *Group Health Insurance* (ET-2301) instead of the *Health Information Change* form.
 3. Identify the relationship of the qualified beneficiary(ies) to the employee by checking the following boxes that apply:
 - Employee

- Spouse/Former Spouse
- Dependent Child(ren)

List the name in the space provided of the Spouse/Former Spouse and name(s) of the Dependent Child(ren), when checking those boxes.

NOTE: Per Federal COBRA law, notice is to be provided to each qualified beneficiary. For example, an employee with family coverage terminates employment; the employer must provide notice to all covered family members.

- **When qualified beneficiaries reside at the same address, complete one notice indicating relationship and names of all qualified beneficiaries.**
- **When qualified beneficiaries reside at different addresses, complete one notice per address, indicating the qualified beneficiary(ies) residing at the address listed.**

4. In the **To Be Completed by Employer Prior to Giving to the Applicant** box, list the following:

Item 1: If the qualified beneficiary(ies) is (are) not eligible to elect continuation coverage, explain the reason why. If the qualified beneficiary(ies) is (are) eligible for continuation coverage, leave it blank.

Item 2: Enter the date the applicant/qualified beneficiary's coverage will end. This date will be as follows:

- Terminating Employee - The date the group health insurance premiums are currently paid through.
- Divorced Spouse - The end of the month in which notice of the divorce is given.
- Dependent Child - The date will be the earlier of the following:
 - a. The end of the month in which the child marries.
 - b. The end of the calendar year in which the child:
 - Turns 19 while not a full-time student.
 - Ceases to be a full-time student and is older than 19.
 - Turns 25 while still a full-time student.
 - Ceases to be dependent for support and maintenance.
- Dependent Grandchild - The end of the month in which the child (grandchild's parent) turns 18.
- Disabled Dependent over age 19 who loses disabled status - The end of the month in which it is determined the disabled status ceases.

Item 3: Identify the reason for coverage ending by checking the appropriate box and providing an explanation where requested.

Item 4: Enter the date (MM/DD/CCYY) of occurrence in Item 3.

Item 5: Enter the date (MM/DD/CCYY) the employer was notified of the occurrence in Item 3.

Item 6: Check the box indicating the type of coverage in effect at the time of occurrence in Item 3.

Item 7: Enter the name of the health plan in which the qualified beneficiary is currently enrolled and the full monthly premium rate for the coverage in effect.

Item 8: Enter the following information:

- Signature of the person completing the employer portions of the notice
- Date (MM/DD/CCYY) the notice is given to the qualified beneficiary
- Employer name and mailing address
- Telephone number to contact the person completing the employer portions of the notice

- C. After completing the employer portions, retain the employer copy of the *Continuation-Conversion Notice* for your records and forward the remaining copies to the qualified beneficiary(ies) along with the *Group Health Insurance Application*. (Refer to Subchapter 704.)

If, on the basis of the most recent information available to the employer, the qualified beneficiaries reside at the same location as the employee, the employer may furnish to the employee the notice addressed to the qualified beneficiaries. If the qualified beneficiaries reside at a location different than that of the employee, the employer must mail the notice to the qualified beneficiaries.

708 Sample *Continuation-Conversion Notice* (ET-2311)

Following is a sample *Continuation-Conversion Notice* that has been completed for a 22-year old dependent whose eligibility ended due to marriage and the dependent is ineligible for continuation due to notice given to the employer after the 60-day notice period.

Department of Employee Trust Funds
P. O. Box 7931
Madison, WI 53707-7931

CONTINUATION – CONVERSION NOTICE

Group Health Insurance
s. 2201 of Public Law 99-272

Employee Social Security Number 123-45-6789	
Employee Name (Last, First) Smith, Jonathon	
Employee's Birthdate: (MM/DD/CCYY) 01/01/1960	Group # 71234

Applicant/Qualified Beneficiary Information:* (To be completed by the Employer)

123 Apple St
Street and No.
Anytown WI 59876
City State Zip Code

☐ Employee
☐ Spouse/Formal Spouse Name
☒ Dependent Child(ren) Name(s) **Susie Smith**

*Applicant must also complete ET-2301 or ET-2302 if electing to continue or convert coverage, unless applicant is the Employee and will be continuing the coverage in effect.

TO BE COMPLETED BY APPLICANT

Complete and return this notice ONLY if electing to continue or convert coverage.

APPLICANT: Read the instructions on the front before completing this notice. It contains important eligibility and other information concerning your rights and responsibilities. If you wish to continue your coverage, the Department of Employee Trust Funds must receive this notice postmarked within 60 days after your coverage ends or within 60 days of the date shown in Item 8 below, whichever is later.

CHECK ONE ONLY - Box A, B, C, or D. See the instructions for information which corresponds to the following elections.

- A ☐ I elect to continue coverage under the group health plan for a maximum of 36 months. I understand the health plan will bill me directly for premiums at the above address. OR
- B ☐ I elect to convert the group coverage to a non-group policy. (Conversion may be considerably more expensive and/or provide fewer benefits.) If electing this option, I understand I am subject to the health plan's conversion policy provisions. OR
- C ☐ I have 20 years of creditable service and I am eligible to apply for an immediate annuity but am not applying at this time and want to continue my insurance. OR
- D ☐ (For State participants only) I have 20 years of creditable service, and am terminating state employment. (If electing this option, the Department of Employee Trust Funds must receive this completed notice by the date shown in Item 2. below.)

DIFFERENT COUNTY: ☐ I have elected coverage and I live in a county that does not have a primary physician in the current health plan. I have indicated on the application form (ET-2301 or ET-2302) the health plan to which I am switching.

MEDICARE: ☐ Check here if you or anyone on your policy is eligible for Medicare Parts A & B. (See Instructions.)

Date (MM/DD/CCYY)	Signature of Applicant	Daytime Telephone ()
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TO BE COMPLETED BY EMPLOYER PRIOR TO GIVING TO THE APPLICANT

EMPLOYER: Federal law requires this notice to be issued to qualified beneficiaries within 14 days after the date in Item 5. Complete the information above and Items 1-8 below. Refer to the <i>Group Health Insurance Employer Administration Manual</i> for further assistance.			
1. Not eligible: (Reason) Notice to employer given after the 60-day notice period			
2. Date applicant/qualified beneficiary's coverage ends: 7/31/2004			
3. Reason for coverage ending (the qualifying event): (check one) <input type="checkbox"/> Employment terminated <input type="checkbox"/> Death <input type="checkbox"/> Divorce entered <input checked="" type="checkbox"/> Dependent no longer eligible (reason) married <input type="checkbox"/> Other			
4. Date of occurrence in Item 3: 7/17/2004			
5. Date employer notified of occurrence in Item 3: 12/20/2004			
6. Coverage in effect at time of occurrence in Item 3: <input type="checkbox"/> Single <input checked="" type="checkbox"/> Family			
7. Name of Health Plan Dean Health Plan		Monthly Premium Rate: \$ 854.80	
8. Completed By Betty Lou Payroll	Date (MM/DD/CCYY) 12/22/2004	Employer Name and Mailing Address Town of XYZ 123 Any St - Anytown, WI 51234	Telephone (608) 987-6543

FOR EMPLOYEE TRUST FUNDS USE

New Group Number	Continued Coverage Effective From (MM/DD/CCYY)	Through (MM/DD/CCYY)	By	Date (MM/DD/CCYY)
			Telephone: 608-264-7900	